

# The Current Status of U.S. and International Climate Change Policy

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# Overview

- Bush's Clear Skies Initiative
- Proposals on Capital Hill
- State and Local Action
- International Policy
  - Kyoto Protocol
- Emissions Trading and GHG Markets
- Corporate Action

# Bush's "Clear Skies" Initiative

## The Details

- Reduce GHG intensity by 18% over next 10 years
  - Business as usual (BAU) = 14% reduction over 10 years
  - U.S. GHG emissions will remain 20 – 25% above 1990 levels
- Enhance the 1605(b) voluntary reporting of greenhouse gas emissions registry to produce transferable credits
- \$1.3 billion on climate change technologies
- \$1.7 billion on climate research
- \$0.5 billion in clean energy tax incentives
- \$25 million for climate observation in developing countries
- \$155 million for USAID climate change programs

# The Policy Debate

## Two “Forces”

### Strict Requirements

versus

### Flexible Approach

- Four-pollutant bill  
(SO<sub>2</sub>, NO<sub>x</sub>, Hg, CO<sub>2</sub>)
- *Absolute* reductions in CO<sub>2</sub>
- Mandatory

- Three-pollutant bill  
(SO<sub>2</sub>, NO<sub>x</sub>, Hg)
- Reductions in *energy intensity*
- Voluntary

# Proposals on Capitol Hill

- Recent Senate Energy bill includes provisions on GHG registry
  - Firms emitting over 10,000 metric tons of CO<sub>2</sub>/yr are required to file a report
- House Energy bill, no language on climate change
- No energy bill will get out of conference without Byrd/Stevens amendment included in its entirety
  - Primarily spends \$ on R&D
  - Supports 1605(b) program
- Prospects of joining bills in conference questionable
  - If no joint bill, action on climate change will have to come through White House legislation

# Bush's "Clear Skies" Initiative

## How Is It Implemented?

- DOE currently revising 1605(b) program
  - Federal Register request for public comments by June 5<sup>th</sup> [www.pi.energy.gov/enhancingGHGregistry](http://www.pi.energy.gov/enhancingGHGregistry)
  - Focus on “enhancing measurement accuracy, reliability and verifiability”
- Bilateral agreements with strategic “partners”
  - Japan, Australia, etc.
  - Joint activities on climate change research, modeling, and clean energy technologies

# Climate Change Action at State Level

- More than 30 States have introduced/signed legislation on climate change
- State voluntary/binding GHG registries
  - 2 established (CA, NJ)
  - 8 proposed (IL, ME, NC, NH, NY, RI, TX, WI)
  - New England/Eastern Canada agreement to develop regional registries
- CA: proposed bill capping CO<sub>2</sub> from transport

## State Action (cont.)

- MA & NH: Cap on CO2 from power plants
  - Allow purchase of offsets outside the State
- NJ: Binding State GHC reduction target
  - Reduce emissions by 3.5% below 1990 by 2005
  - GHC registry permits trading with EU countries
- Oregon: strict standards on new power plants
  - New plants must be 17% more efficient
  - Plants may buy offsets through Oregon Climate Trust



# Local Action

- International Council for Local Environmental Initiatives (ICLEI)
  - Cities for Climate Protection in 500+ cities worldwide
  - 115 U.S. cities
- Suffolk County, NY (and Nassau Co. proposed)
  - CO<sub>2</sub> emissions standard of 1,800 lbs/MWh
  - Penalties of \$2/ton in 1<sup>st</sup> year and \$1/ton thereafter
- New York City, NY (proposed law)
  - Set emissions rate not exceeding 1997-1999 historical average (utilities >25MW)
  - Penalties of \$3/ton in 1<sup>st</sup> year and \$1/ton thereafter

# International Climate Change Policy

- 1992: UN Framework Convention on Climate Change (UNFCCC)
  - Voluntary goal of reducing GHG emissions to 1990 levels by 2000
  - Adopted by all countries, including the US
- 1995: Activities Implemented Jointly (AIJ) Pilot Phase
  - Joint GHG reduction projects between entities in 2 countries
  - US Initiative on Joint Implementation (USIJI) on hold, pending Administration review
- 1997: UNFCCC Conference of Parties (COP3) agreed to framework of Kyoto Protocol
  - Introduces binding emission reduction targets
    - 5.2% between 2008-2012
  - 2001 deadline for completion of rules

# Kyoto Protocol Ratification Status

- Fall 2001 ( at COP7) most countries agreed to ratify the Kyoto Protocol (KP)
  - Target of ratification by Sustainable Development Summit in South Africa, July 2002
  - President Bush announced US will not ratify KP
  - EU expected to ratify by June 1<sup>st</sup>
  - Japan, New Zealand and Russia are moving ahead with ratification
  - Australia and Canada hesitating

# Kyoto Protocol Ratification Status

- 55 countries representing 55% of developed country GHG emissions must ratify before KP enters into effect
- Entry into force may be possible
  - 54 countries have ratified – includes no major developed countries
  - 15 EU nations, Russia and Japan make up about 50% of industrial world emissions
  - Eastern bloc represents 7% of industrial emissions
    - Czech Rep, Bulgaria, Poland, Hungary, Slovakia, and Romania
    - Eager to participate
  - If these countries ratify, 55% emissions requirement has been satisfied
  - Hinges on Russia

# Kyoto Protocol

- Binding emission reduction targets for developed (Annex I) countries
  - 2008-2012 commitment period
  - Domestic policies and measures
  - Emissions trading between Annex I countries
  - Joint implementation (JI) projects between countries with binding GHG targets
    - Rules less stringent, focus on transition countries
  - Clean Development Mechanism (CDM) in developing countries (no binding targets)
    - Stringent rules, although streamlined procedures for small projects

# Emissions Trading

- EU plans emissions trading by 2005
  - Mandatory emissions limits on all big industrial and energy intensive businesses by 2005
  - Exploring long-term rules for trading outside EU
- UK, Germany, the Netherlands, Norway and Denmark developing national trading programs
- Carbon Trading has begun in UK and Denmark
  - Current UK price of \$4.32 - \$10.08 per metric ton CO<sub>2</sub>

# Emerging GHG Markets

- Established programs to purchase emission reduction credits
  - World Bank Prototype Carbon Fund (PCF)
  - Dutch ERUPT
  - Oregon Climate Trust (2001 RFP of \$5.5 million)
- Voluntary programs
  - Chicago Climate Exchange
- 65 GHG transactions worldwide since 1996, exchanging 50-70 million metric ton of CO<sub>2</sub>
  - Price of verified credits range between \$.60-\$3.50 per metric ton of CO<sub>2</sub>

# Where Are We Going?

- Common factor – emissions trading allowed for compliance
- Potential for increasing domestic CO<sub>2</sub> offset demand over the next decade
- Fungibility issues between state, regional, and international programs